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# Getting Help For Minority-Owned Businesses Shut Out Of PPP Loan Relief

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Personal Finance

*JD/CFP® helping LGBTQ entrepreneurs thrive in business and in life.*

OAKLAND, CA - APRIL 15: David Benton is seen at his Sugarsweet Cake and Cookie Studio in Oakland, ... [+] HEARST NEWSPAPERS VIA GETTY IMAGES

After a bumpy start, money from the Paycheck Protection Program (PPP) is flowing. As of Friday May 8th, the program has made over 2.5 million loans with a total value of \$187.1 billion—about 60% of the \$310 billion available

in round two. That's great news, especially for small businesses and independent contractors left out of round one.

Despite this progress, PPP still has a huge problem. An [April 6th report from the Center For Responsible Lending \(CRL\)](#) found that roughly 95% of Black-owned businesses, 91% of Latino-owned businesses, 91% of Native Hawaiian or Pacific Island-owned businesses, and 75% of Asian-owned business “stand close to no chance of receiving a PPP loan through a mainstream bank or credit union.”

Minority-owned firms have been shut out for a variety of reasons. They're less likely to have a relationship with lending banks, their owners may not have access to financial and legal expertise or their payrolls aren't as large as other businesses. Even with adjustments in [FinTech and community bank funding](#), as well as \$60 Billion being set aside for community banks, CRL's Federal Advocacy Director Ashley Harrington said it won't be enough and this approach “[perpetuates the racial wealth gap and breeds public resentment and distrust.](#)”

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This is not the first time communities of color have been left out of sweeping government reform. This moment provides an opportunity for us to explore and take significant steps towards fixing a monumental problem.

When figuring out how to make significant change, let's start with the three As — Awareness, Acceptance and Action. Awareness involves taking an honest look at ourselves and our circumstances. Acceptance of that

understanding allows us to assess and learn from that experience. That acceptance then leads to taking action towards the change we wish to make.

I'll use this framework to help us explore what can be done to help business owners of color get access to the funding that they need, and in the end make our overall economy stronger.

## Awareness

People of color have been left out of government reform for centuries, from Reconstruction after the Civil War to The New Deal during the Great Depression to The Great Recession of 2008. The book *The Color of Money: Black Banks and the Racial Wealth Gap* by Mehrsa Baradaran, takes a deep dive into the history of discrimination in federal programs. The author demonstrates that “the hand that drives black poverty is not a natural and invisible one, but rather the coercive hand of the state that has consistently excluded black from full participation in American capitalism.”

I've written about the [the Racial Wealth Gap](#) before, but these statistics are worth repeating

- The financial crisis of 2008 wiped out [53% of total black wealth](#)
- [Black families have a median net wealth of \\$17,150 compared to a white family's median of \\$171,000.](#) The median net worth of Latino Households was \$20,720.
- The wealth gap exists at every income and education level. The median wealth for white families with advanced degrees [is almost \\$300,000 more wealth than black families and \\$267,000 more than Latino families with advanced degrees.](#)
- Moreover, studies reveal that the gap is accelerating – [over the last thirty years, the average wealth of the white population has grown at](#)

three times the rate of black population and 1.2 times the rate of the Latino population.

Discrimination doesn't just affect black and Latino families. In the past, California passed laws against [Japanese businessmen after they became economically successful](#). Native American [were killed and had their land taken away when oil was discovered on it](#).

When it comes to the Paycheck Protection, Forbes contributor Morgan Simon [highlighted and explained these gaps for small businesses with owners of color](#):

1. Many formerly incarcerated business owners were not allowed to apply.
2. Banks set their own criteria of whom to lend to and were incentivized to choose large clients over small businesses.
3. People of color were disproportionately left out, but we don't know exactly how many, as no government data was collected on loan recipients by race or gender.
4. 25% of the initial \$2 trillion went to big business bailouts.
5. Only a tiny fraction was set aside for the most vulnerable businesses and communities.
6. Community Development Financial Institutions (CDFIs) — those institutions, historically with the deepest relationships to vulnerable communities — were barely included.

These gaps add to the massive damages black and Latino populations have already suffered from COVID-19. [According to the Associated Press](#), African Americans account for 30% of the COVID-19 deaths where race is known, despite only accounting for 14% of the population. [A detailed outline in the Atlantic](#) shows how the Government response to handling the pandemic reveals a deep bias and reapplication of oppressive systems of the past.

As Ms. Baradaran writes in her book, “An essential first step in dealing with the wealth gap is to acknowledge that it was created through racist public policy.” I hope we can take this opportunity to create awareness around this problem in real time and help break the cycle of the widening of this gap.

## Acceptance

Acceptance provides a critical middle step before we get to action. Creating awareness around a problem isn't enough to spur change. [Research has shown](#) that emotion, rather than logic, motivates us to act. That means it's not enough to read statistics. We have to internalize them and have that understanding travel from our head to our heart. I believe we get there through hearing the stories of those most affected.

[Real people are dying. Businesses are failing.](#) NBC News [talked with minority business owners still struggling to get funding](#). The anger and frustration jumps through the words on the page. “The financial industry has shown me no love for 20 years,” said Terence Dickson, the owner of Terra Café, a community-focused restaurant offering Southern comfort and soul food. “I’m tired of hearing about the money,” he added. “I want to see the money.” This frustration, anger, exhaustion and resentment is all energy we can use to create change.

This gap affects us all, not just individual business owners and their families. Minorities own [8 million of the 30 million small businesses](#) in the United States, representing 26.5% of small businesses in the country. The businesses [account for 7.2 Million jobs](#) and generate more than [\\$1.38 Trillion dollars to the overall economy](#). Additionally, some [68% of the country's economic growth comes from consumer spending](#). Businesses that don't have capital or capacity to reopen will only end up hurting the economy as a whole.

There has never been a time where the statement “we are all in this together” is more relevant. My approach is to learn lessons from the past to avoid making the same mistakes in the future.

## Action

The last step is taking action. To me, it's about using the emotion to energize the actions we need to take. I've seen this in the case of [the unjust killing of Ahmaud Arbery](#), and I believe the frustration, anger and resentment in this situation can be used to create effective change as well.

Fixing the PPP loan's inequities will take significant legislative reform. [In a town hall last week](#) with U.S. Senators Ben Cardin and Marco Rubio, I was happy to hear them acknowledge that the smaller of small businesses need additional attention, in particular minority- and women-owned businesses. Senator Cardin believes there will be a third round of funding, and he hopes that the target group of any additional stimulus would be those small businesses in underserved communities. That help would include being more selective in the businesses that need money, rather than allocating funds on a first-come, first-served basis..

[CRL also offered additional legislative solutions:](#)

- Allocating specific funding for CDFIs and Minority Depository Institutions (MDIs)
- Requiring fair access through bank and credit unions, including \$50 billion being allocated specifically for minority-owned businesses.
- Expanding eligible expenses
- Eliminate ineligibility based on criminal justice involvement

- Requiring all lenders to provide data, including borrower demographics and loan amounts.

While potential legislative action is promising, I want to see these promises fulfilled.

Even if you're not a legislator, there are things that you can do within your own sphere of influence to make a difference.

I use what I call my three commitments — three commitments that I can make to help with the problem. Here are mine:

1. Increase awareness of this inequity through my various platforms
2. Provide as much information as possible to help small businesses and independent contractors of color maneuver the ever-changing rules
3. Help connect small businesses of color to additional resources

Keeping the focus on ourselves and letting others do the same can have a compounding effect. What are your commitments? Specifically, what actions can you take to create awareness or encourage acceptance. How can your actions create the change you want to see?

Some commitments I've already seen include:

- Speaking up about this issue in your social circle
- Calling your legislator expressing your concern
- Shopping minority-owned businesses that are still operating
- Reaching out to those businesses and asking what they need
- Continuing to educate yourself and spread the word on these injustices.

Once you outline what you can do, ask yourself:



- How am I going to do it?
- When am I going to do it?
- Who can keep me accountable?
- How does it feel having this plan?

Again, we are all in this together. And we can all do something to combat this unjust and inequitable treatment.

If you're a small-business needing additional information or resources during this time, you can find them here:

[Getting Cash For Your Small Business Through The CARES Act](#)

[Frequently Asked Questions on Small Business Loans in Coronavirus Relief CARES Act](#)

[How to Calculate Payroll Costs For Your Paycheck Protection Loan](#)

[Bank and Fintech Companies Accepting Paycheck Protection Loan Applications from new and Non-Bank Customers](#)

[Self-Employed and Struggling? How to choose Between Unemployment and the Paycheck Protection Program](#)

[What You Can Do Now To Maximize Paycheck Protection Loan Forgiveness](#)

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